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C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 000932

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SUBJECT: TAIWAN VICE PREMIER HANGS TOUGH ON TRADE

REF: A. TAIPEI 00908

[1](#)B. BHATIA-YOUNG E-MAIL OF APRIL 26 2007

Classified By: AIT DIRECTOR STEPHEN M. YOUNG FOR REASONS 1.5 (b), (c)

[1](#)1. (C) Summary: During an April 26 meeting in which Director Young passed on Washington's latest thinking on TIFA (ref B), Vice Premier Tsai hung tough in her response. She left the U.S.-proposed July dates for the TIFA Council meeting on the table while reiterating her insistence on accelerating the trade negotiating agenda and establishing a clear timeline. Further she asked for a response on ways to assure Taiwan industrial products' access to the U.S. market in the light of the Korea-US FTA. Despite repeated efforts by the Director to urge a more realistic understanding of the available negotiating schedule, Tsai did not shift her position. End Summary.

[1](#)2. (C) Comment: Tsai has left the July dates hanging and implied a willingness to raise the stakes in the debate. We believe much, if not most, of the motivation is driven by domestic reaction to the signing of the Korea-US FTA. Yet her emphasis on the need to substantially complete work on the investment, tax and procurement agreements by the end of June, suggests she would be willing to consider July dates if we can provide her a timeline of work on these three agreements and address market access issues as well. If possible, we recommend preparing a proposed timeline that could have the U.S. side presenting draft texts for the tax and procurement agreements and including negotiating sessions over the next two months. We should also look at accelerating the ongoing investment talks. End Comment.

[1](#)3. (C) On April 26, AIT Director Young met Vice Premier Tsai Ing-wen to convey Washington response (contained in Ref B) to Tsai's complaint the Taiwan-U.S. trade relationship is moving

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too slowly (reported in ref A.). Tsai was accompanied by Vice Political Minister of Economic Affairs Hsieh Fa-dah, newly appointed Chief Trade Negotiator John Deng and her

chief of staff Chang Hsieng-huei (Note reftel A failed to list Chang as also participating in the April 24 meeting. End note.). Director Young was accompanied by AIT Econ Chief Daniel Moore.

#### Tsai Wants Negotiating Timeline

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14. (C) In an at times uncharacteristically contentious April 26 meeting, AIT Director Young conveyed Washington response (ref B) to Vice Premier Tsai's demarche (Ref A) of April 24 where she complained about the slow pace of progress on the bilateral trade front. While Tsai expressed her appreciation for the swift response from Deputy USTR Bhatia, she declined to confirm the July dates for the next TIFA Council meeting. She emphasized her need to demonstrate substantial progress in bilateral trade relationship before June 30 and wants to establish a clear timeline for negotiating the investment, tax and procurement agreements. Failure to speed up progress on the trade front would lead to a demand for a comprehensive review of the bilateral economic relationship.

15. (C) Tsai listened attentively to ref B points and immediately asked: "what does near term mean?" with reference to moving forward on investment, tax and procurement agreements. In the course of revisiting each of the points, she explained that June 30 is a critical date because that is when Trade Promotion Authority expires in the U.S. and with that expiration, she will face intense pressure in Taiwan to demonstrate the benefits of the TIFA process that can counter the obvious negative effects of the signing of the Korea-US Free Trade Agreement. She added that she also needs a response from the U.S. on ways to assure continued market access for Taiwan's industrial products, given expected tariff reductions for Korean products that directly compete with this islands'. According to Hsieh,

TAIPEI 00000932 002 OF 002

some 1,346 products at the 8-digit level.

16. (C) She said she cannot wait for a TIFA meeting scheduled for July and simply count that as substantial progress. Likewise she said a single meeting in advance of TIFA at the Deputy USTR level would not be sufficient to offset the delay in the TIFA session. When pressed by the Director, she suggested that if work on the three agreements was substantially completed prior to June 30 and a TIFA meeting were scheduled for our proposed July dates then that might be sufficient. However, she did not commit to dates in July, but asked instead for reconsideration of June dates for the TIFA and an accelerated negotiating schedule, with a timeline, for all three agreements. The Director cautioned Tsai several times about insisting on June versus the July

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dates, because she would run the real risk that the entire process, contrary to her proclaimed interest, might simply slip into the fall.

#### Frustration over Lack of Progress on TIFA

17. (C) The Director pushed back repeatedly on Tsai's assertion that the June 30 date is a critical date, noting it had no definitive meaning for either TPA in the U.S. or the Korea-US FTA. Nevertheless, Tsai stubbornly clung to her position. She expressed her personal frustration that so little had been accomplished on the TIFA agenda that is of interest to Taiwan, while reiterating her comments (ref A) that Taiwan had accommodated U.S. interests in pharmaceutical pricing and in granting preferential access to its beef market.

18. (C) Tsai further said she had agreed to refrain from

pushing for an FTA, at least at her level, and had done so. The Director responded by noting that newly arrived TECRO/Washington Representative Joseph Wu is making headlines in Taiwan by talking up the need for an FTA and raising the temperature on this issue. The Director said Wu's comments on FTA completely ignore the reality that the U.S. simply cannot consider an FTA at this point in the absence of renewal of TPA. He noted that he might need to clarify this part publicly if asked in an upcoming press conference about prospects for an FTA. The Director also sought Taiwan support for re-energizing the Doha Round, pointing to the obvious benefits for Taiwan's goals of international recognition and trade promotion. Tsai nodded in agreement, but said Doha is long-term and she now needs to focus on the next 2-3 months and getting these three agreements done.

#### Political Fallout

19. (C) Throughout the meeting, the Vice Premier strongly asserted that she had no political agenda or pressure driving her to insist on substantial progress by the end of June. Nevertheless, she suggested that if progress on the bilateral economic agenda remains stalled, President Chen Shui-bian may well become frustrated and take new provocative steps on political issues such as UN membership. The Director limited his response to saying this would be profoundly unhelpful.

YOUNG